

Message Text

CONFIDENTIAL

PAGE 01 BUDAPE 00880 281252Z
ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-03 INR-10 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 STR-07 INT-05 DOE-11 SOE-02 NRC-05
ACDA-12 /147 W

-----062258 281556Z /46

R 281145Z FEB 78
FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC 806
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY BONN
AMEMBASSY OTTAWA
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY BRUSSELS
AMEMBASSY BERN
AMEMBASSY COPENHAGEN
AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
AMEMBASSY MOSCOW

C O N F I D E N T I A L BUDAPEST 880

E.O.11652: GDS
TAGS: OECD, EGEN, XH
SUBJECT: EAST-WEST ECONOMIC RELATIONS: A PROPOSAL FOR A COMMON
WESTERN ASSESSMENT OF IMPLICATIONS OF DETERIORATING ECONOMIC
PROSPECTS IN THE EAST

REF: A) PARIS 3496, B) STATE 034566, C) PRAGUE 0292

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BUDAPE 00880 281252Z

1. EMBASSY CONCURS WITH REFTELS ANALYSIS THAT PROJECTED
DECLINE IN GROWTH RATES OF EASTERN EUROPEAN AND ESPECIALLY
SOVIET ECONOMIES HAS IMPORTANT POLICY IMPLICATIONS AND DESERVES
CAREFUL STUDY AND EXCHANGE OF VIEWS AMONG WESTERN STATES.

2. THE DRAMATIC INCREASE OF OIL AND OTHER RAW MATERIAL
PRICES IN THE EARLY 1970S, AND THE ACCOMPANYING ECONOMIC

DISORDER IN THE WEST, GENERALLY INCREASED EASTERN EUROPEAN DEPENDENCE ON THE USSR AS A SUPPLIER OF RAW MATERIALS, AND CONSEQUENTLY INCREASED THE CONGRUENCE BETWEEN SOVIET AND EASTERN EUROPEAN EXPORTS CAPABILITIES AND IMPORT NEEDS (THIS IS LESS TRUE, OF COURSE, FOR THOSE EE'S WITH THEIR OWN RAW MATERIAL ENDOWMENTS). IF CIA AND OTHER PREDICTIONS REGARDING SOVIET ECONOMIC GROWTH AND PETROLEUM PRODUCTION DURING THE 1980S ARE APPROXIMATELY CORRECT, THIS SITUATION WILL CHANGE SUBSTANTIALLY IN THAT THE SOVIETS WILL BE LESS ABLE TO MEET EASTERN EUROPEAN RAW MATERIAL AND ENERGY NEEDS. THE COSTS OF SUPPORTING THE EASTERN EUROPEAN ECONOMIES WILL BE MORE CLEARLY AND PAINFULLY PERCEIVED BY THE SOVIETS.

3. THUFNWE ARE SEEING THE BEGINNING OF A PERIOD WHEN THE SOVIETS AND THEIR ALLIES MAY BE RETHINKING ECONOMIC POLICIES AND RELATIONSHIPS. WHILE POLITICAL CALCULATIONS INTERNAL TO THE WARSAW PACT WILL PLAY THE MAJOR ROLE IN THIS ADJUSTMENT PROCESS, WESTERN POLICIES CAN HAVE AN IMPORTANT IMPACT. THE SOVIET UNION ITSELF MAY HAVE A GENUINE OPTION OF PURSUING MORE AUTARCHIC POLICIES (THE SECOND OPTION IN REFTTEL A, PARA 4). FOR HUNGARY, HOWEVER, ANY TURNING AWAY FROM ECONOMIC TIES WITH THE WEST WOULD IMPLY LOWER GROWTH RATES. THE HUNGARIAN PARTY AND GOVERNMENT LEADERSHIP OVER THE PAST SEVERAL MONTHS HAS PUBLICLY RECOGNIZED THIS FACT AND COMMITTED ITSELF TO

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BUDAPE 00880 281252Z

POLICIES EMPHASIZING GREATER INTERNATIONAL SPECIALIZATION AND COMMERCIAL INTERCHANGE.

4. IN CONTRAST TO THE USSR, HUNGARY HAS VIRTUALLY NO EXPORTABLE RAW MATERIALS AND CAN ONLY SELL MANUFACTURED AND AGRUCULTURAL GOODS IN THE WEST. THE ABILITY AND WILLINGNESS OF THE WEST TO ABSORB INCREASING QUANTITIES OF EASTERN EXPORTS BY MAINTAINING A LIBERAL TRADE POLICY AND BY MAINTAINING A SATISFACTORY RATE OF ECONOMIC GROWTH WILL INFLUENCE THE DIRECTION OF ECONOMIC POLICY IN HUNGARY. OTHER WESTERN POLICIES COULD ALSO INFLUENCE THE PERCEPTIONS OF CEMA POLICY-MAKERS REGARDING THE POTENTIAL COSTS AND DANGERS OF GREATER ECONOMIC INTERACTION. THUS WE WOULD ENDORSE A STUDY NONT ONLY OF THE PROBABLE IMPACT OF DECLINING CEMA GROWTH RATES ON THE WEST BUT ALSO OF POLICY OPTIONS WHICH THE WEST COULD PURSUE TO INFLUENCE DEVELOPMENTS IN THE CEMA COUNTRIES.

WILGIS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EAST WEST TRADE, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BUDAPE00880
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780091-1190
Format: TEL
From: BUDAPEST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978025/aaaaadyx.tel
Line Count: 112
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a8caf2d8-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 PARIS 3496, 78 STATE 34566, 78 PRAGUE 292
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3580921
Secure: OPEN
Status: NATIVE
Subject: EAST-WEST ECONOMIC RELATIONS: A PROPOSAL FOR A COMMON WESTERN ASSESSMENT OF IMPLICATIONS OF DETERIORATING ECONOMIC PROSPECTS IN THE EAST
TAGS: EGEN, XH, XG, OECD
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/a8caf2d8-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014